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Office of the Legislative Auditor

State of Montana

Report to the Legislature

May 1992

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1991

Montana State Library Commission

This report contains recommendations in the following areas:

- Calculating indirect cost rates.
- Depositing revenue and recording financial activity.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1989 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
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Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1991

Montana State Library Commission

Members of the audit staff involved in this audit were Pearl M. Allen, Shawn F. Bubb, Rebecca Dorwart, Jim Manning, and Victoria Murphy.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

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MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

May 1992

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on Montana State Library Commission's financial activity for fiscal years 1989-90 and 1990-91. The library's written response to the audit recommendations is included in the back of the report.

We thank Montana State Library Commission officials and their staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

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Appointed and Administrative Officials

State Library Commission

		Term Expires
Mary Doggett Chairperson	White Sulphur Springs	May 1992
Michael Schulz*	Dillon	April 1992
Lorrie Monprode-Holt**	Helena	January 1993
Anne Hauptman	Billings	May 1993
Lloyd Wallin	Deer Lodge	May 1993
Peggy Guthrie	Choteau	May 1994
Vada Taylor	Glendive	May 1994

* Appointed by the Commissioner of Higher Education from the Montana University System

**Designated by the Superintendent of Public Instruction

Administration

Richard T. Miller, Jr.	State Librarian
Sheila Cates	Coordinator of Library Development
Allan B. Cox (formerly Jon Sesso)	NRIS Coordinator
Darlene Staffeldt	Director of Information Resources
Sandra Jarvie	Regional Librarian for the Blind and Physically Handicapped
Jacki Wrigg	Accountant
Mary Jane West	Administrative Assistant

Summary of Recommendations

This listing below serves as a means of summarizing the recommendations contained in the report, the library's response thereto, and a reference to the supporting comments.

Recommendation #1 — We recommend the library compute and apply its indirect cost rate to ensure the collection of indirect costs to the maximum extent possible as required by state law. 7

Agency Response: Concur. See page 24.

Recommendation #2 — We recommend the library deposit donations in the state treasury, in accordance with state law. 8

Agency Response: Concur. See page 24.

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Library Commission (library) for the two fiscal years ended June 30, 1991. The objectives of the audit were to:

1. Make recommendations for improvement in the management and internal controls of the library.
2. Determine if the library complied with applicable laws and regulations.
3. Determine if the library's financial schedules present fairly the results of operations and changes in fund balances for the two fiscal years ended June 30, 1991.
4. Determine the implementation status of prior audit recommendations.

This report contains two recommendations to the library. These recommendations address areas where the library can improve management and compliance with laws and regulations. In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing these recommendations. Other concerns deemed not to have a significant effect on the successful operations of the library programs are not specifically included in the report, but have been discussed with management.

Background

The library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government. The library operates under policies established by the Montana State Library Commission. The commission was created by law in 1929, which is currently codified in Title 22, chapter 1, MCA. The commission consists of seven members as follows: five persons appointed by the Governor, the state Superintendent of Public Instruction or her designee, and a librarian appointed by the Commissioner of Higher Education from the Montana University System.

The 1987 Legislature provided for two major divisions of the Montana State Library. The library accounts for these divisions in the following two programs: 1) the State Library Operations

Program; and 2) the Natural Resource Information System Program.

State Library Operations Program

The State Library Operations Program was established by the 1929 Legislature. The law charged the commission with providing library services to state government and with developing and improving statewide library services. The State Library Operations Program has five main components:

Information Resources provides reference information services and lends materials, either directly to users or through academic, school, special, or public libraries. It also provides centralized library material acquisition, cataloging and technical processing, and operates the state's documents depository center. Its responsibilities include servicing the information needs of state government, including direct interlibrary loan services.

Library Development provides assistance to Montana libraries to promote efficient delivery of library services to Montana's citizens. Assistance provided includes budget preparation, library laws, personnel issues, continuing education, collection management, and library technology. Library Development is involved in planning for improvement of library services in the state. Coordination of the library federation system and administration of state and federal grants to local libraries is also an integral part of the Library Development function.

Blind and Physically Handicapped provides library services for the blind, visually impaired and physically disabled who are unable to read standard print. The library lends books and magazines in a variety of formats to eligible individuals and institutions. The library maintains and distributes special playback equipment and accessories for the program. Volunteers at the Montana State Library and the Montana State Prison record books for the blind.

State Institution Library Service manages collection development and funding; and provides consulting services and support for libraries in state institutions, either directly or through contracts with public libraries. It also administers and manages all aspects of the Montana State Hospital Library.

Administration provides central management, fiscal and accounting, federal program administration, and program-wide services for the library.

Natural Resource Information System

The Natural Resource Information System (NRIS) was established by the 1983 Legislature. The 1985 Legislature transferred responsibility for the program to the library. Nine agencies are named by statute to have representatives sit on an advisory committee that directs the development of the system. The purpose of NRIS is to make data and information on Montana's natural resources easily and readily accessible. NRIS operates a clearinghouse and referral service to link users with the best sources of information. It helps coordinate among agencies and organizations that collect, manage, or use the same types of natural resource information to prevent duplication of effort and promote information sharing. NRIS has four main components:

Montana Natural Heritage Program maintains a computer-assisted inventory of Montana's biological resources, emphasizing rare, threatened, or endangered plant and animal species and biological communities. The program is operated through a contract with The Nature Conservancy, which operates similar heritage programs in all 50 states and several foreign countries.

Montana Water Information System provides information on Montana surface water, groundwater, water quality, riparian areas, water rights, and climate data.

Montana Geographic Information System (GIS) provides technical assistance for statewide GIS projects and to agencies developing in-house GIS capability. NRIS inventories data available for GIS applications and

coordinates GIS data standards and sharing throughout the state.

Montana Natural Resource Index is a geographical and subject indexing system for existing data sources (both published and unpublished).

Library operations are financed from General Fund appropriations, federal assistance pursuant to the Library Services and Construction Act, and .38 percent of the state's Coal Severance Tax. NRIS is funded by state and federal grant revenues received through the Montana Departments of Fish, Wildlife and Parks; State Lands; Health and Environmental Sciences; and Natural Resources and Conservation; and private sources.

The library was initially authorized 29.5 full-time equivalent (FTE) employees consisting of 21.5 FTE providing library services, 4.0 FTE operating the Natural Resource Information System, and 4.0 FTE providing administrative support for both programs. The Natural Resource Information System operated with approximately 5.0 additional FTE during the biennium, which were obtained through budget amendments.

Prior Audit Recommendations

Prior Audit Recommendations

The previous audit of the library resulted in two recommendations. The library implemented one and partially implemented one. The partially implemented recommendation relates to accounting for federal subgrant activity. The library did not record revenues to match federal subgrant expenditures in fiscal years 1989-90 and 1990-91. The library is aware of the errors, which were less than $3,500.

Findings and Recommendations

Indirect Costs

Section 17-3-111, MCA, requires state agencies to negotiate indirect cost rates in accordance with federal regulations and recover indirect costs of federal assistance programs to the fullest extent possible. Each fiscal year the library negotiates an indirect cost rate with the federal government. The library negotiated an indirect cost rate of 1 percent for each fiscal year 1989-90 and 1990-91.

We reviewed the library's approved indirect cost proposals and found they did not include all the indirect costs related to the library. The library's proposals did not include the library's full Statewide Cost Allocation Plan (SWCAP) amount nor did they include other agency costs such as audit, utilities, rent, and administrative personnel salaries and benefits. We also noted the library did not apply indirect costs to all valid federal expenditures. Therefore, the library did not recover indirect costs to the fullest extent possible.

During fiscal years 1989-90 and 1990-91, the library recovered $2,673 and $3,822, respectively, in indirect costs. We estimate the library could have negotiated a rate ranging from 2.5 to 20.8 percent. Because of this, and not applying the rate to all valid federal expenditures, the library did not collect indirect costs of approximately $12,000 to $69,000.

Library personnel stated they have tried to keep the indirect cost rate low on the Library Services and Construction Act (LSCA) grant to ensure the maximum assistance was passed through to subrecipients. The library also administers the Natural Resource Information System grant. This grant creates more overhead and administrative costs than the pass-through LSCA grant. As a result, it should have a higher indirect cost reimbursement. As the library's grant mix changes, it needs to evaluate alternatives for obtaining indirect cost reimbursement. The library is currently considering negotiating two rates. Library personnel said they overlooked charging indirect costs to some federal subgrants because the expenditures were recorded in the state, rather than federal, Special Revenue Fund.

The library should determine what its total indirect costs are and calculate its annual indirect cost rate to recover indirect costs related to federal assistance programs to the maximum extent allowable under federal regulations.

Recommendation #1

We recommend the library compute and apply its indirect cost rate to ensure the collection of indirect costs to the maximum extent possible as required by state law.

Depositing Revenue and Recording Financial Activity

Section 17-6-105, MCA, and MOM section 2-1200.10 require agencies to deposit intact all money received in connection with the conduct of state business. In addition, section 17-1-102(5), MCA, states, "All state agencies. . . shall input all necessary transactions to the accounting system . . . in order to present the receipt, use, and disposition of all money and property for which the agency is accountable in accordance with generally accepted accounting principles. . ."

The library was actively involved in the 1991 Montana Governor's Conference on Library and Information Services. The library was responsible for arranging and paying for the conference. To help pay for the conference, the public donated $1,775. Donors sent $375 directly to the hotel where the conference was held and $1,400 to the library. The library endorsed the $1,400 in checks made payable to the library or the Governor's Conference over to the hotel rather than depositing them in the state treasury. The library did not record these donations as revenue on the accounting records, nor did they record the costs associated with this revenue as an expenditure.

Library personnel stated that they had requested the donors to make the checks payable to the hotel. Because the donations were public support for the conference, they did not consider the donations to be library income. However, the library was

responsible for setting up and paying the costs of the conference. Therefore, the library should have deposited donations collected in the state treasury and recorded corresponding donation revenues and conference expenditures on the state's accounting records. As a result of not complying with state law, revenue and expenditures are understated by $1,775 in fiscal year 1989-90 in the Special Revenue Fund.

Recommendation #2

We recommend the library deposit donations in the state treasury, in accordance with state law.

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules presented on pages 13 through 19 are prepared from the Statewide Budgeting and Accounting System without adjustments for errors. The following independent auditor's report issued on the financial schedules is intended to convey to the reader the degree of reliance which can be placed on the amounts presented.

The opinion means the reader of the financial schedules should be cautious when using this financial information. The schedules are misstated because, as discussed in note 6, the library classified federal subgrants revenue of $221,255 in fiscal year 1989-90 and $306,394 in fiscal year 1990-91 as "Grants, Contracts, Donations, and Abandonments" instead of "Federal" revenue.

STATE OF MONTANA

Office of the Legislative Auditor

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DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana State Library Commission (library) for each of the two fiscal years ended June 30, 1990 and 1991, as shown on pages 13 through 19. The information contained in these financial schedules is the responsibility of the library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the library's assets and liabilities.

During fiscal years 1989-90 and 1990-91, the library recorded its federal subgrants revenue in the "Grants, Contracts, Donations and Abandonments" revenue class, as described in note 6. State accounting policy requires the recording of federal subgrant revenues in the "Federal" revenue class. This practice understated "Federal" revenues and overstated "Grants, Contracts, Donations and Abandonments" revenue in the Special Revenue Fund on the Schedule of Budgeted Revenue and Transfers In - Estimate and Actual by $221,255 in fiscal year 1989-90 and $306,394 in fiscal year 1990-91.

In our opinion, except for the effect of the matter discussed in paragraph four, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana State Library Commission for the two years ended June 30, 1990 and 1991, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

March 20, 1992

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1991

	General Fund	Special Revenue Funds
FUND BALANCE: July 1, 1989	$ 0	$ 41,053
ADDITIONS:		
Fiscal Year 1989-90		
Budgeted Revenue	$ 2,673	$1,334,075
Prior Year Expenditure Adjustments	860	17,140
Support from State of Montana	847,685	
Nonbudgeted Revenue		622
Cash Transfers In		257,287[1]
Prior Year Revenue Adjustments		8,084
Fiscal Year 1990-91		
Budgeted Revenue & Transfers In	3,822	1,254,036
Prior Year Expenditure Adjustments	507	1,797
Support from State of Montana	891,776	
Nonbudgeted Revenue & Transfers In		1,500
Cash Transfers In		190,144[1]
Prior Year Revenue Adjustments		95
Total Additions	1,747,323	3,064,780
REDUCTIONS:		
Fiscal Year 1989-90		
Budgeted Expenditures	851,218	1,626,635
Fiscal Year 1990-91		
Budgeted Expenditures & Transfers Out	896,105	1,464,486
Prior Year Expenditures		(5,961)
Total Reductions	1,747,323	3,085,160
FUND BALANCE: June 30, 1991	$ 0	$ 20,673

[1]See note 5.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 17 through 19.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF BUDGETED REVENUE - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1991

	Charges For Services	Grants, Contracts, Donations & Abandonments	Federal	Total
Fiscal Year 1990-91				
GENERAL FUND				
Estimated Revenue	$ 3,850			$ 3,850
Actual Revenue	3,822			3,822
Collections Over (Under) Estimate	$ (28)			$ (28)
SPECIAL REVENUE FUND				
Estimated Revenue	$ 2,000	$ 571,304	$1,170,884	$1,744,188
Actual Revenue	616	522,080[1]	731,340	1,254,036
Collections Over (Under) Estimate	$(1,384)	$ (49,224)	$ (439,544)	$ (490,152)
Fiscal Year 1989-90				
GENERAL FUND				
Estimated Revenue	$ 3,500			$ 3,500
Actual Revenue	2,673			2,673
Collections Over (Under) Estimate	$ (827)			$ (827)
SPECIAL REVENUE FUND				
Estimated Revenue	$ 2,000	$ 749,183	$1,060,299	$1,811,482
Actual Revenue	773	432,562[1]	900,740	1,334,075
Collections Over (Under) Estimate	$(1,227)	$(316,621)	$ (159,559)	$ (477,407)

[1]See note 6.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 17 through 19.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1991

	Library Commission	Natural Resource Information Service	Total
PERSONAL SERVICES			
Salaries	$ 506,054	$211,509	$ 717,563
Hourly Wages		739	739
Other Compensation	3,375		3,375
Employee Benefits	118,169	49,038	167,207
Total	627,598	261,286	888,884
OPERATING EXPENSES			
Other Services	102,785	144,124	246,909
Supplies & Materials	19,793	10,229	30,022
Communications	34,878	13,643	48,521
Travel	44,712	16,899	61,611
Rent	124,981	5,352	130,333
Repair & Maintenance	12,752	38,650	51,402
Other Expenses	12,372	9,156	21,528
Total	352,273	238,053	590,326
EQUIPMENT AND INTANGIBLE ASSETS			
Equipment	105,278	82,265	187,543
Intangible Assets	10	10,675	10,685
Total	105,288	92,940	198,228
GRANTS			
From State Sources	403,982		403,982
From Federal Sources	217,370		217,370
Total	621,352		621,352
DEBT SERVICE			
Leases		61,801	61,801
Total		61,801	61,801
TOTAL PROGRAM EXPENDITURES	$1,706,511	$654,080	$2,360,591
GENERAL FUND			
Budgeted	$ 916,367		$ 916,367
Actual	896,105		896,105
Unspent Budget Authority	$ 20,262		$ 20,262
SPECIAL REVENUE FUND			
Budgeted	$1,430,677	$737,237	$2,167,914
Actual	810,406	654,080	1,464,486
Unspent Budget Authority	$ 620,271	$ 83,157	$ 703,428

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 17 through 19.

MONTANA STATE LIBRARY COMMISSION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND FUND
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1990

	Library Commission	Natural Resource Information Service	Total
PERSONAL SERVICES			
Salaries	$ 465,558	$162,934	$ 628,492
Other Compensation	1,800		1,800
Employee Benefits	106,586	36,339	142,925
Total	573,944	199,273	773,217
OPERATING EXPENSES			
Other Services	104,662	149,945	254,607
Supplies & Materials	16,505	11,047	27,552
Communications	32,229	11,166	43,395
Travel	30,717	17,112	47,829
Rent	120,307	4,794	125,101
Repair & Maintenance	12,908	32,223	45,131
Other Expenses	12,268	10,550	22,818
Total	329,596	236,837	566,433
EQUIPMENT AND INTANGIBLE ASSETS			
Equipment	127,993	38,722	166,715
Intangible Assets	2,159	19,705	21,864
Total	130,152	58,427	188,579
GRANTS			
From State Sources	471,149		471,149
From Federal Sources	416,674		416,674
Total	887,823		887,823
DEBT SERVICE			
Leases		61,801	61,801
Total		61,801	61,801
TOTAL PROGRAM EXPENDITURES	$1,921,515	$556,338	$2,477,853
GENERAL FUND			
Budgeted	$1,188,780[1]		$1,188,780
Actual	851,218		851,218
Unspent Budget Authority	$ 337,562		$ 337,562
SPECIAL REVENUE FUND			
Budgeted	$1,294,633	$902,733[1]	$2,197,366
Actual	1,070,297	556,338	1,626,635
Unspent Budget Authority	$ 224,336	$346,395	$ 570,731

[1]See note 7.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 17 through 19.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1991

1. Summary of Significant Accounting Policies

The Montana State Library Commission (library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the library records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the library incurs the related liability and it is measurable.

State accounting policy also requires the library to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include entire budgeted service contracts even though the library received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The library uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Library Special Revenue Funds include the Library Services and Construction Act grant, .38 percent of the state's Coal Severance Tax, grant revenues received through other state agencies, and private sources.

2. Annual and Sick Leave

Employees at the library accumulate both annual and sick leave. The library pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. The library absorbs expenditures for termination pay in its annual operational costs. At June 30, 1990 and at June 30, 1991, the library had a leave liability of $50,995 and $55,652, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The library's contribution to PERS was $39,638 in fiscal year 1990 and $45,570 in fiscal year 1991.

4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. Cash Transfers In

The library receives some of its funding from the coal tax. This money is collected by the Department of Revenue and is recorded as revenue by that agency. The state accounting system uses a cash transfer to avoid duplicate recording of the same revenue. The cash collected and recorded as revenue by the department is automatically transferred at fiscal year-end to the library's records.

6. Revenue Classifications

During fiscal year 1989-90 and 1990-91, the library classified certain federal subgrant activity totalling $221,255 and $306,394 respectively, as Grants, Contracts, Donations, and Abandonment revenue. To correct its application of state policy, the library classified this federal subgrant activity as Federal revenue in fiscal year 1991-92. Prior to making the correction in fiscal year 1991-92, the library notified the Department of Administration of the error so the department could appropriately adjust the

state's Comprehensive Annual Financial Reports for fiscal years 1989-90 and 1990-91.

7. Budgeted Expenditures

The amount of budget authority on the Schedule of Budgeted Program Expenditures by Object and Fund for the fiscal year ended June 30, 1990, includes authority for more than one fiscal year. The library receives appropriations for each fiscal year and for the biennium. The library receives biennial appropriations since the timing of certain expenditures is not known. The library includes the full amount of biennial budget authorization in the first fiscal year of the biennium.

Agency Response

MONTANA STATE LIBRARY

STAN STEPHENS, GOVERNOR

1515 E. 6TH AVENUE

STATE OF MONTANA

(406) 444-3115

HELENA, MONTANA 59620

May 12, 1992

Pearl M. Allen
Senior Auditor
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Ms. Allen:

We have reviewed the final report on the 1990-91 audit of the State Library Commission. Attached is our agency response to your recommendations.

Sincerely,

Richard T. Miller, Jr.
State Librarian

RTM:mjw

"AN EQUAL OPPORTUNITY EMPLOYER"

RECOMMENDATION #1

Concur.

The Montana State Library will negotiate a set rate for the Operations Program. The LSCA (Library Services and Construction Act) funds that are received are determined on a formula basis. The library is currently using $371,584 of these funds annually to support operations directly. Any indirect cost claimed reduces the amount available in grants to the state's libraries. We do not believe it is an appropriate use of these funds.

The Library will negotiate a separate agreement for the NRIS (Natural Resource Information System) Program.

These plans will be prepared as soon as possible and in consultation with indirect cost experts in state government. However, our current accountant is transferring to another agency and the new accountant will require training before being able to prepare these documents.

RECOMMENDATION #2

Concur.

In the future funds of this nature will be recorded as revenue and expenditures.